



## COUNTY OF DOOR

County Government Center

421 Nebraska Street • Sturgeon Bay, WI 54253

---

**Michael J. Serpe**

County Administrator

(920) 746-2303

September 22, 2006

Ladies and Gentlemen of the County Board and citizens of Door County:

I am honored and humbled to have the opportunity to present to you this administration's proposed budget for Fiscal Year 2007. I am not sure that I could be more proud of the effort given by our budget team. Without exception, all of the members of the finance department as well as our department heads and their staffs worked very hard to prepare this year's budget. I want to thank them for all of their efforts.

The preparation and approval of the annual county budget is one of the most critical functions of county government. It represents not only the numerical values that are important to all of us but perhaps most importantly, it represents our commitment to the people of Door County for next year and for many years to come. It is our collective investment strategy for the future.

Laurence Peter author of *The Peter Principle* says that **"Bureaucracy defends the status quo long past the time when the quo has lost its status."** The proposed 2007 budget is certainly not about defending the status quo. It's about the leadership needed for these challenging and changing times, leadership that is comprised of courage, integrity, creativity, vision and good stewardship.

This budget is all about getting the job done, and wisely using the tools at our disposal in order to so. The 2007 proposed budget is a "cost to continue budget". That is to say, a budget that assumes no new initiatives or building projects. The bottom line of this budget reflects the pressure that market forces bring to bear on an annual basis. Would that personnel associated costs and the amount we pay for utilities and fuel never increase. The bottom line of the proposed budget will result in a **decrease of \$31.72** on the average home in Door County.

Before Shirley summarizes the 2007 proposed budget we're submitting to the County Board this morning I want to touch on where, I believe, we should move this County government in the next few years.

I believe that the annual budget must provide an indication to the taxpayers as to "where the County is going" in future years. Vision – the ability to assess where we are, project our needs and develop innovative, cost-effective means to fulfill them. Vision requires today to be the starting line, the zero point. People of vision do not look back, they build on today for a better tomorrow. People of vision believe that not taking risks may be taking the biggest risk of all.

This budget has vision – the first look at how we will plan for future needs.

This budget does not penalize our team of employees; it adds the minimum number of positions to accommodate our needs. This budget does not reduce our services, the very services many of you have agonized over in previous budget deliberations. This budget places the general fund at its highest level in many years and funds all of our reserves.

This budget accomplishes all of that, and more, with a 2.09% levy increase.

Even in tight budget times, the maintenance of the county's roads and facilities, its infrastructure must be a priority. The business community (general commerce, agriculture and tourism), our fellow local units of government and public safety demand that our county trunk highway system be maintained in a timely manner. It is for that reason that this budget provides for the funding of highway and bridge repair through the use of longer term financing. We cannot neglect the infrastructure needs of Door County.

It is for that reason, that local units of government cannot abrogate their responsibility for the maintenance of infrastructure, that the Legislature and the Governor inserted the following language into the current State Biennial Budget, Wisconsin Act 25:

**SECTION 1251c.** 66.0602 of the statutes is created to read:

**66.0602 Local levy limits. (1) DEFINITIONS.** In this section:

(a) "Debt service" includes debt service on debt issued or reissued to fund or refund outstanding municipal or county obligations, interest on outstanding municipal or county obligations, and related issuance costs and redemption premiums.

(c) "Political subdivision" means a city, village, town, or county.

(d) "Valuation factor" means a percentage equal to the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed between the previous year and the current year, but not less than zero.

(2) **LEVY LIMIT.** Except as provided in subs. (3), (4), and (5), no political subdivision may increase its levy in any year by a percentage that exceeds the political subdivision's valuation factor. In determining its levy in any year, a city, village, or town shall subtract any tax increment that is calculated under s. 60.85 (1) (L) or 66.1105 (2) (i).

(3) **EXCEPTIONS**

(d) 1. If the amount of debt service for a political subdivision in the preceding year is less than the amount of debt service needed in the current year, as a result of the political subdivision adopting a resolution before July 1, 2005, authorizing the issuance of debt, the levy increase limit otherwise applicable under this section to the political subdivision in the current year is increased by the difference between these 2 amounts, as determined by the department of revenue.

2. The limit otherwise applicable under this section does not apply to amounts levied by a political subdivision for the payment of any general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision, interest on outstanding obligations of the political subdivision, or the payment of related issuance costs or redemption premiums, authorized on or after July 1, 2005, and secured by the full faith and credit of the political subdivision.

The Legislature fully realizes that the use of borrowing and debt is an important and flexible revenue source available to local units of government. It has absolutely nothing to do with attempting to skirt the letter or the spirit of the tax levy limits that local units of government operate under, whether we think they're arbitrary and capricious or not. The County Board anticipated this scenario when it adopted Resolution 2005-60 on June 29, 2005.

Debt is a mechanism which allows capital improvements to proceed when needed, in advance of when it would otherwise be possible. It can reduce long-term costs due to inflation, prevent lost opportunities, and equalize the costs of improvements to present and future constituencies. In addition, judicious and disciplined use of debt insures that the cost of capital expenditures are spread over the useful life of improvement.

Debt management is an integral part of the financial management of the County. Adequate resources must be provided for the repayment of debt, and the level of debt incurred by the County must be effectively controlled to amounts that are manageable and within levels that will maintain or enhance the County's credit rating. A goal of debt management is to stabilize future tax levy requirements to ensure that issued debt can be repaid and prevent default on any County debt. A debt level which is too high places a financial burden on taxpayers and can create problems for the community's economy as a whole. Debt should not be used to avoid making sound expenditure decisions.

Overuse of debt places a burden on the fiscal resources of the County and its taxpayers and that is not the intent of the administration nor the County Board. Wise, prudent and disciplined use of debt provides fiscal and service advantages. The County will restrict short-term borrowing to planned capital improvements (CIP Policy). During the annual budget process, debt analysis will be prepared in conjunction with the Capital Improvements Plan to provide information about the County's debt structure.

That is why the County Board will receive for consideration early next year, a proposal for comprehensive Capital Improvement Plan. This type of fiscal responsibility will pay big dividends in the long-term financial health of Door County. The bond rating agencies realize this...this administration realizes this...and I respectfully submit that a majority of the County Board realizes this. This budget will move us down a path of improved fiscal integrity beginning in 2007. An approved 2007 "cost to continue budget" will give all of us the time to do planning for the future in an orderly, systematic and disciplined fashion.

The proposed budget is a remarkable accomplishment especially in the face of more reductions of state and federal revenue. Inadequate funding from the state for mandated services at the county level increases the reliance on the local levy to pay for service delivery. The erosion of funding

every year places a huge burden not just on the departments charged with increasing their level of service delivery, but on the vulnerable citizens who need those services.

The developmentally disabled and mentally ill suffer from a flat-lined Community Aids and Community Integration Program rate which has remained frozen since 1994. The waiting list of senior citizens for the Community Options Program continues to grow. The responsibility of caring for the needs of an aging population continues to grow.

We will continue to address these issues with our state and federal legislators lobbying for a fair share of the state and federal pie.

We cannot allow the most vulnerable among our people to slip through the cracks created by under funded mandates. We must continue to deliver much needed services in the face of reduced state and federal money.

This budget comes to you with my strongest endorsement. It maintains and improves the services our citizens are used to in spite of tremendous fiscal constraints. It is responsible and comes with a vision of a bright future for Door County. This is a great place in which to live and we must do our part to ensure that we leave it in at least the same condition as we found it...no we need to leave a better place for our children to live in.

Franklin D. Roosevelt gave a speech in Philadelphia more than seventy years ago. His words ring true to the challenges facing us in Door County, and Wisconsin, today. I quote:

*“It is a sobering thing, my friends, to be a servant of this great cause. We try in our daily work to remember that the cause belongs not to us, but to the people. The standard is not in the hands of you and me alone. It is carried by America. We seek daily to profit from experience, to learn to do better as our task proceeds.*

*Governments can err, Presidents do make mistakes, but the immortal Dante tells us that divine justice weighs the sins of the cold-blooded and the sins of the warm-hearted in different scales.*

*Better the occasional faults of a Government that lives in a spirit of charity than the consistent omissions of a Government frozen in the ice of its own indifference.”*

As always, you have my pledge of full cooperation from all of us in the administration during your upcoming budget deliberations.

Thank you.

## **2007 Proposed “Cost to Continue” Budget Financial Summary**

### **Submitted by Shirley M. Scalish, Finance Director**

Door County faces many challenges and opportunities with this budget. County staff feels that this budget meets the challenge of maintaining the capacity to meet the needs of the citizens.

#### **Tax Rates**

This budget meets current state-imposed tax levy rate limits. The proposed tax rate of \$3.090377 is the lowest rate in the past fourteen (14) years, \$.158678 lower than 2006.

Total equalized value in Door County grew by 7.33% for budget year (2007 over 2006). The change in equalized value is greater than the low (in the past fourteen (14) years) of 2.85% in 1993 and is consistent with the equalized value changes in 1994, 1995, 1996, and 2000. Double digit years were 1997, 1998, 1999, 2001 and 2002. Since 2003, the percent change in equalized value has hovered close to 6%.

The tax levy freeze for counties cannot exceed the county purpose levy rate in 1992. The county purpose levy is general operating expenses, excluding long term debt, that are levied over the entire county. The 2007 proposed budget reflects a tax rate of \$2.7388 for county operations, \$1.1702 below the tax freeze rate of \$3.9090.

The memorandum from Mark D. O’Connell, Executive Director of Wisconsin Counties Association suggests that the current levy freeze that is supposed to sunset on January 1, 2007 may be extended or there may be a replacement of the freeze.

#### **Salary Changes**

Non-bargaining and exempt employees received a 1.25% increase over what was adopted in the 2006 budget. This increase was approved by County Board resolution and coincided with the PPO health insurance plan change. The increase became effective July, 2006 with funding coming from contingency. This change affected all departments.

The adopted 2006 budget did not include the refilling of the Clerk Typist I position in the District Attorney’s office. The position was approved to be filled as a permanent full-time position by County Board action in early 2006 – this created the large percentage increase within the District Attorney’s department (estimated impact \$50,923).

A change in the table of organization in 2006 per County Board resolution allowed the Finance Department a full time professional accountant position in 2006. The approved change added an additional \$9,900 to the 2007 budget. This position is assigned to the Health and Human Service Departments.

There were three reclassification decisions, one each in Information Systems, Social Services and Maintenance (estimated fiscal impact \$21,327).

Additional personnel and/or changes in FTE's for existing personnel were passed by County Board resolution 2006-73. These included: a change from .70 FTE to .90 FTE in the Planning Department, an estimated \$11,383 fiscal impact; a full time Economic Support Specialist in Social Services estimated at \$60,994 with 50% funding from an on-going grant; an FTE change for a clerical position from .80 FTE to full-time, estimated fiscal impact of \$11,383.

Retirements of long-term employees when known are budgeted. The Department of Social Services and the Sheriff's department have such known 2007 retirements. The lump sum payouts calculated for budgeting purposes are estimated at \$61,464.

### **Health Insurance**

Health insurance costs and cost increases are still a major concern to the administration and to the employees. This budget maintains the 2006 budgeted rates. The impact to departments when an employee changes from a single plan to a family plan is as follows:

Standard Plan – an annual increase of \$11,950

PPO Plan – an annual increase of \$9,932

These changes in health insurance have affected the County Administrator, Finance, Community Programs, Social Service, Planning, to name a few.

GASB (Governmental Accounting Standards Board) 45 requires that governmental entities recognize costs for "Other Post Employment Benefits (OPEB) on an accrual basis, during the working lifetime of employees. For Door County, the practical implication of GASB 45 is that we would begin recording an annual cost and accruing a balance sheet liability for retiree medical and dental insurance for active employees and current retirees. The accounting treatment is similar to current pension plan accounting but unlike pension plans, Door County is not required to pre-fund the retiree health benefits. This requirement requires all governmental entities to contract with an actuarial firm to compute the liability. The impact to the 2007 budget (within the Finance Department) is estimated at \$8,000.

### **Utility and Fuel Charges**

The Consumer Price Index for the first eight (8) months of 2006 was 3.8 percent higher than in August, 2005. Energy costs advanced 22.3 percent SAAR (seasonally adjusted annual rate) in the first eight months. The gasoline index increased 5.3 percent in July, 2006, and rose another .2 percent in August, 2006.

The Wisconsin Public Service is applying to increase the company's electric and natural gas rates for 2007. The request includes a 14.4% increase in electric rates and a 3.9% increase in natural gas. Departments were told to expect a 15% to 20% increase in vehicle and equipment fuel costs (diesel and gasoline). This budget has anticipated these increases.

### **Revenue Changes**

Child Support -- The federal matching funds for performance incentive dollars will end on October 1, 2007. This is an estimated loss of \$8,625 for 2007 and \$34,500 for 2008 and subsequent years. The feds are also changing the reimbursement percentage for genetic (paternity) test costs from 90% to 66%. This change is effective October 1, 2006.

The vacating of the safety building by the Sturgeon Bay Police Department (move to new city hall) reduces the revenues in the County Clerk's budget by approximately \$15,100.

Interest rates on investments have been at 5% and above in 2006. 2007 is budgeted with the expectation that the favorable interest rates will continue.

Sales Tax revenues have consistently exceeded budget. In 2004 and 2005, \$2.9 million in sales tax revenues was received. 2006 is at 65% of budget (2.7 million) as of August. The last four months of each year consistently are the higher revenue months. It is anticipated that 2006 will exceed the \$2.9 million mark. Sales tax revenues are budgeted at \$2.9 million for 2007.

### **Expenditure Changes**

The Public Health Department has budgeted \$9,000 for defibrillators for each floor of the Government Center. Also included in the expenditure is a training cost for proper usage.

Soil, Water and Conservation Department and Planning are sharing the cost of Bay Lake Regional Planning within their budgets.

### **Debt Service**

The current outstanding debt going into 2007 will be \$24,080,000. Based on statutory debt limits of five (5) percent of equalized value, Door County's 2007 debt ceiling or allowable debt equals \$330,194,415 (6,603,888,300 equalized value (without TID and exempt computer) x .05). Allowable minus actual (2006 \$24,080,000) leaves a debt margin of \$306,114,415.

## **Summary -- Coping with State Funding or the Lack Thereof**

The trend of increasing costs without corresponding levels of State funding continues to plague several County departments that provide mandated services. Departments are struggling to maintain a balance between services that are needed through purchase of service contracts and the increasing costs of continuing services provided with county staff. The State requires that County government respond to providing specific services and to follow the rules on how to provide those services. Counties are to operate as an arm of the State. The allocation of State funds to support the actual costs incurred for expected services continues to fall short.

## **Capital Outlay**

Total capital outlay increased by \$221,264 over 2006 adopted budget. Information Systems capital outlay is \$101,691 less than 2006 budgeted while the IS maintenance budget is \$20,735 over 2006. The general outlay is up by \$302,220.

The vehicle replacement fund has been funded according to plan. Funding for ambulances which was removed from the 2006 budget has been funded in 2007 according to the plan. Not funding for the ambulance replacements in 2006 and the proposed purchase of two ambulances in 2007 impacted the Emergency Government budget percentage.

General capital outlays not included in vehicle replacement with the 2007 budget impact are summarized as follows:

Airport – Repair Expansion Joints N/R Runway and Airport Terminal, \$18,000

County Fair – Bleachers, \$5,000

Maintenance – Cleaning Machine, Carpet Extractor, Sink-Janitors Closet at Justice Center, and Repairs to Museum \$13,900

Parks – 5 Yard Dump Truck, Rear Mount Blower, Tractor Loader Utility 3-pt Hitch, and Implement Trailer w/Brakes, \$116,500

Sheriff – 7 Channel Voting Controllers, Tone Controlled Base Station, and UHF Base-Brussels, \$30,444

Community Programs – Workstations (2), \$5,804

## Infrastructure

Investment in infrastructure benefits the economy (travel time savings, lower vehicle costs, and reduced traffic congestion). Investment in infrastructure improves the quality of life as people today expect to have an efficient transportation system to access jobs and services.

### From "Capital Expenditures Funding Proposal":

Capital facilities and infrastructures are important legacies that service current and future generations. Basic infrastructures and services are already stretched. As a result, economic growth can be stunted and the quality of services can decrease. Funding assistance from the State of Wisconsin that counties relied upon for building, repairing and maintaining roadways is decreasing at a rapid rate.

This budget proposes to fund infrastructure with short-term borrowing. The benefit of this type of funding has the following advantages:

Creates equity – will equalize the costs of improvements to present and future taxpayers (under pay-as-you-go, current users bear the entire cost)

Lower tax rates – rates will be lower because costs are spread over a longer time period and, in a growing economy, over more people and a higher assessed valuation.

Acquire as needed – projects can be completed as needed, usually now, without waiting for funds to accumulate – prevent lost opportunities.

Diminish the desire to raid the undesignated fund balance (the county's emergency fund).

Use of sound judgment and program discipline when financing insures the cost of capital expenditures are spread over the useful life of improvement.

Good management means keeping the physical components of the system in good working order and having access to funds should improvement needs arise.

### 2007 Infrastructure Budget

Door County Highway has scheduled 18.1 miles of roadwork for 2007. The cost to pave and maintain the roadwork is estimated at \$2,041,560 with \$398,000 offset from CHIP D funding or a budgeted amount of \$1,643,560. Fuel and material prices for road work are estimated to increase \$34,000 per mile in 2007.